

2026 Mid-Year Edition

UAE Real Estate Outlook

Two markets, two cycles: Dubai moderates
into balance while Abu Dhabi tightens further



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How to use this report

Parts I–III are the market record for the quarter. Part IV explains the capital behind the demand curve. Part V is our own data and what we are advising clients to do in Q3. If you read one page, read 04.



Part I: Setting the Stage

The macroeconomic reset, the news flow that matters, and where the UAE now sits on the global office map



Executive Summary



Q1 was a pause. Q2 was the quarter in which the two UAE office markets visibly separated. Dubai rents stopped rising and edged down for the first time in almost five years; Abu Dhabi rents rose another 15% in three months. Neither move is a correction — both are the direct output of supply.

Dubai absorbed roughly 0.88 mn sqft of new office space during the quarter and city-wide asking rents came off 2% quarter-on-quarter to around AED 205 psf, while still standing about 9% above Q2 2025. Occupancy remains exceptional at ~92% city-wide, but softening is now visible — and it is concentrated almost entirely in Grade B strata stock, which makes up close to 70% of the city's inventory. Grade A, single-owned and institutional assets did not move.

Occupier behaviour mirrored Q1: renewals held, new lease negotiation cycles lengthened, and demand concentrated in small formats. Two thirds of Dubai leasing transactions in Q2 were for units below 500 sqft.

Abu Dhabi went the other way. There were no office completions at all in Q2. City-wide asking rents reached AED 2,182 per sqm — up 15% on the quarter and 33% on the year — with ADGM prime now clearing AED 6,000 per sqm. The June rent-freeze regulation caps in-place uplifts across the wider emirate, but exempts ADGM and Al Reem Island, which is precisely where the pricing power sits.

The capital markets story diverged from the leasing story. Dubai office sales set an all-time H1 record — AED 15.8 bn, up close to 200% year-on-year — driven by off-plan and by an unprecedented cluster of AED 20 mn+ tickets.

What we expect through H2 2026

Selective relief in Dubai, continued scarcity in Abu Dhabi. Submarkets receiving 2026 deliveries — DIFC above all — will see negotiating leverage shift toward tenants at the margin. Everywhere else, and across the whole of Abu Dhabi outside the freeze exemptions, landlord-favourable conditions persist into 2027. Requirements deferred in Q2 return as visibility improves; the question Q3 data will answer is how many of them come back at once.

What matters most

1. Dubai city-wide rents **AED 205 psf, -2% q-o-q, +9% y-o-y** — the first quarterly decline in nearly five years.
2. Dubai city-wide vacancy **6.1%**, down from 7.7% a year ago; prime vacancy steady at **0.7%**.
3. **66%** of Dubai leasing deals were sub-500 sqft; new leases +16% q-o-q, renewals -16%.
4. Dubai office sales **AED 15.8 bn in H1** (+~200% y-o-y) across 2,600 deals; off-plan took 65%.
5. Abu Dhabi rents **AED 2,182/sqm, +15% q-o-q, +33% y-o-y; zero** completions in Q2.
6. Abu Dhabi city-wide vacancy **1.4%**; prime availability **0.1%** — effectively a closed market.
7. UAE GDP **+3.0% in Q1** to AED 485 bn; non-oil **+4.8%**, now 79.4% of the economy.
8. Flex operators became **one of Dubai's largest occupier groups** — the clearest structural shift of the quarter.



Macroeconomics

The hard numbers landed — and they were better than the forecasts

UAE real GDP, Q1 2026

AED 485 bn

+3.0% y-o-y

Non-oil GDP growth,
Q1 2026

↑+4.8%

79.4% of the economy

Non-oil exports, H1 2026

AED 452.8 bn

+23.9% y-o-y

S&P Global UAE PMI, July

52.7

four-month high

Q2 2026 in macro context

1. The Q1 GDP print released in August closed the gap between forecast and outcome. Growth of 3.0% came in well above the near-zero and contraction scenarios pencilled in for 2026 at the height of the disruption, and the impact of the conflict was confined to a limited set of activities rather than the growth trajectory itself.
2. Momentum returned in Q3. Non-oil private sector activity climbed to a four-month high in July, employment rose, and export orders picked up for the first time since March.
3. Growth composition matters more than the headline. Financial and insurance activities contributed the largest single share of GDP growth (+2.44pp), followed by construction (+1.04pp), wholesale and retail trade (+0.42pp) and real estate (+0.36pp) — a mix that maps almost exactly onto premium office demand.
4. The IMF expects the economy to rebound through H2 2026 as exports recover and OPEC+ quotas no longer bind, while noting that Strait of Hormuz interruptions remain the principal swing factor.

iSpace view

The Q1 GDP release is the single most useful datapoint of the quarter for real estate. It confirms that the demand engine — finance, construction, trade, real estate, professional services — kept running through the most disrupted period since 2020. For office markets that means the Q2 softening in Dubai was a supply-and-sentiment event, not a demand event. Occupier headcount plans were deferred, not cancelled.

UAE GDP growth contribution by sector — Q1 2026

Financial & insurance	2.44
Construction	1.04
Wholesale & retail	0.42
Real estate	0.36
Professional & admin	0.29

Percentage points of GDP growth · Source: FCSC

The liquidity picture

Inflation stayed contained at around 2%, S&P reaffirmed the UAE's AA/A-1+ sovereign rating with a stable outlook, and the banking system entered H2 with record deposits and ample lending capacity.

Fiscal and external buffers remain the reason the shock moved transaction timing rather than asset values.



Regional Pulse

Eight signals from Q2 and early Q3 that tell you where the region is going

DIFC passes 10,000 companies for the first time

2,318 new active registered companies joined over twelve months — organic growth of 30% — taking the total to 10,018 by the end of H1. Regulated financial services firms rose 16% to 1,134.

ADGM assets under management up 57%

Active licences passed 13,353 with 961 issued in Q1 alone; the workforce reached 47,047 (+44%). Managers entering ADGM this year collectively run around USD 4.4 trn globally.

Private wealth infrastructure is compounding

Family-related entities in DIFC grew 36% to 1,408 and foundations 67% to 1,409 in twelve months — the structural driver behind prime office demand in both financial centres.

DIFC Square fully pre-leased before handover

600,000 sqft of Grade A absorbed ahead of completion, while the AED 100 bn Zabeel District expansion advances toward eventual capacity of 42,000 companies and 125,000 professionals.

Dubai rises to 7th in the Global Financial Centres Index

The highest-ranked centre across the Middle East, Africa and South Asia, and a direct input into the D33 target of a top-four global financial centre.

Institutional capital arrives in size

Brookfield, Hines, Gaw Capital and Blackstone are now active in the UAE — several for the first time — hunting income-producing assets, with industrial and logistics the first target and build-to-rent close behind.

AI and fintech ecosystem up 39%

The DIFC Innovation Hub added 361 companies in H1, taking AI, FinTech and innovation firms to 1,933 — the fastest-growing slice of office demand by headcount.

Non-oil exports at a record

AED 452.8 bn in H1, up 23.9% — the fastest-growing component of UAE foreign trade, underpinning demand for logistics, trade and professional services space.

How to read this

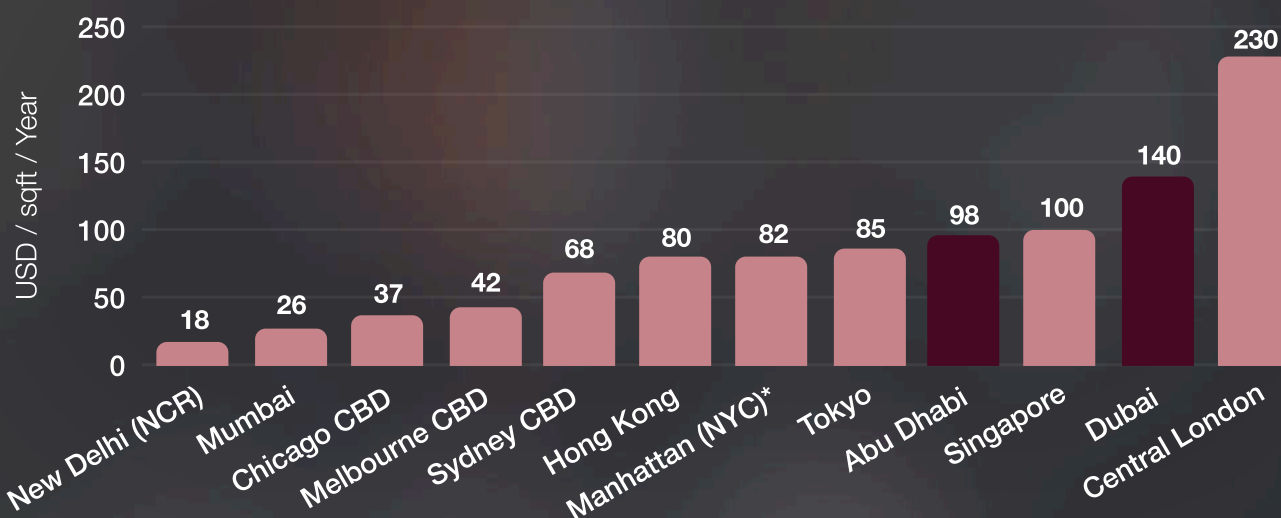
Every one of these datapoints covers a period that included the most disrupted months of the cycle. Company formation, licensing, assets under management and pre-leasing all kept compounding through it. That is the difference between a market absorbing a shock and a market repricing.

Dubai on the Global Office Map



Where the UAE sits in pricing, occupancy, and structural fundamentals

Global Prime Office Rents — Q2 2026



Dubai prime sits between Singapore and Central London. Abu Dhabi prime has closed the gap on Singapore in twelve months. iSpace Research estimates from published prime rents, Q2 2026

Occupancy: still among the tightest in the world

Prime occupancy in Dubai remains around 99% and Abu Dhabi is effectively full, with prime availability at 0.1% and a city-wide vacancy rate of 1.4%. Both cities continue to sit alongside Tokyo at the top of the global occupancy table, well ahead of Central London (~92%), Singapore (~94%) and every major North American CBD.

What changed in Q2 is the shape of Dubai's tightness rather than its level. City-wide vacancy fell to 6.1% from 7.7% a year earlier, but the improvement came from Grade B and Grade C absorption, while Grade A vacancy edged up slightly to 4.2% as tenants explored options in newly delivered stock.

Why the premium persists

- 1. Regulatory and tax framework**— free-zone architecture, full foreign ownership, no personal income tax.
- 2. Global talent access** — visa regimes that let occupiers scale headcount at pace.
- 3. Connectivity and logistics** — the world's busiest international airport for eleven consecutive years.
- 4. Time zone** — a single trading day bridging Asia and Europe.
- 5. Mature financial system** — two common-law financial centres operating at scale.
- 6. Safety and social infrastructure** — the quality-of-life argument that closes relocations.



Part II: The Dubai Office Market in Q2 2026

Rents turned for the first time in five years,
capital markets hit a record, and the two
facts are not in conflict



Dubai Office Market



Q2 2026 at a glance

City-wide average rent

AED 205

psf · -2% q-o-q · +9% y-o-y

City-wide occupancy

92.4%

vacancy 6.1% (from 7.7%)

Prime vacancy

0.7%

Grade A 4.2%

Delivered in Q2 2026

0.88 mn sqft

1.13 mn more due by year-end

Leasing transactions

38,082

+4% q-o-q · 66% sub-500 sqft

Prime rent

AED 408

psf · +13.6% y-o-y

What's happening

Average city-wide office rents in Dubai stand at roughly AED 205 per sqft, down 2% on the quarter — the first quarterly decline in office rents in almost five years. Read alongside a broadly flat reading of around AED 238 psf on the prime-weighted Savills basket, the message is consistent across trackers: the escalation phase has ended. Annual growth is still firmly positive, and renewal rents held stable through the quarter. What softened was new lease pricing, as transaction volumes thinned and occupiers extended decision timelines.

The softening is not evenly spread. It is concentrated in Grade B stock — close to 70% of Dubai's office inventory — while Grade A, single-owned and institutional assets held firm. There has been no meaningful downsizing by global occupiers; most retained their existing footprints. City-wide occupancy eased marginally as strata stock returned to the market, and we expect more secondary space to become available in the coming months as relocations, lease expiries and right-sizing feed stock back into the system.

Three forces shaping the quarter

1.

Demand fragmented rather than fell. Total leasing transactions rose 4% quarter-on-quarter to 38,082, but the growth came almost entirely from new leases in small units — new lease activity rose 16% to 27,121 while renewals fell 16% to 10,961, and sub-500 sqft deals climbed to 66% of all activity from below 60% in Q1. SMEs, start-ups and new market entrants kept transacting; large occupiers took longer.

2.

Flex became a top-tier occupier group. Flex operators absorbed sizeable blocks across the city during the quarter and are now among Dubai's largest occupier categories by take-up. Landlords increasingly treat them as strategic partners for activating large floorplates rather than as competitors — a structural change in how Grade A space gets filled.

3.

Institutional ownership is rising. A growing share of single-owned stock is improving the availability of genuinely leasable premium space for regional and global occupiers. This is the quiet supply story behind the headline numbers, and it is why Grade A pricing has not followed Grade B down.



Dubai Submarkets: Where the Tightness Actually is

Inventory, occupancy, pipeline and asking rents — Q2 2026

Submarket	Inventory (sqft)	Direct vacant	Occupancy	Under construction	Avg asking rent (AED/sqft)
DIFC	7,809,083	156,182	98%	4,154,575	530
Downtown Dubai	4,874,585	146,238	97%	—	450
DIC / DMC	12,543,656	627,183	95%	451,000	380
Dubai Design District	1,378,976	13,790	99%	629,000	340
Sheikh Zayed Road	7,576,689	378,834	95%	2,307,663	250
Jumeirah Lakes Towers	13,334,863	1,733,532	87%	1,738,000	220
Dubai CommerCity	1,004,241	30,127	97%	271,896	200
Business Bay	17,100,986	1,197,069	93%	4,409,946	185

Asking rents inclusive of service charges. Source: Cushman & Wakefield Core Research, Q2 2026

The spread is the story

AED 530 in DIFC against AED 185 in Business Bay is a 2.9× spread across a single city — wider than in most global markets. For occupiers with flexibility on address, that gap is the largest single lever on occupancy cost available in Dubai today.

Reading the table

DIFC and D3 are functionally full at 98–99%, and both carry the largest relative pipelines. DIFC alone has over 4.1 mn sqft under construction — the single biggest source of future optionality in the city.

Business Bay is the volume market. It is the largest submarket by inventory, the cheapest of the central districts, and carries 4.4 mn sqft under construction. It is where strata supply lands and where Grade B softening concentrates.

JLT at 87% occupancy is the outlier — the most available central stock in the city, which is exactly why it recorded strong headline rent growth from a low base and why it saw one of the quarter's largest single lettings.

Selected Q2 2026 lease transactions

Property	Submarket	Sqft	AED/sqft
Uptown Tower	JLT	21,116	352
The Edge, Tecom	Dubai Media City	15,278	255
Schon Business Park	Dubai Investment Park	11,150	240
Vision Tower	Business Bay	10,476	196
I-Rise	Barsha Heights	9,031	133

New leases only; renewals excluded. Transacted rents do not capture fit-out type. Source: Cushman & Wakefield Core Research

Downtown has no pipeline at all. Zero under construction against 97% occupancy means pricing power there is structurally protected through 2027.



Office Sales: a Record Half, a Softer Quarter

H1 2026 set an all-time high — and Q2 was materially quieter than Q1

Office sales value, H1 2026	Transactions, H1 2026	Deals above AED 20 mn	Average sale price
AED 15.8 bn	2,600	220+	AED 2,012
≈+200% y-o-y	+38% y-o-y, 65% off-plan	vs 20 in each half of 2025	psf, +15% y-o-y

Dubai's office capital markets delivered their strongest half on record. Values nearly tripled year-on-year and doubled the whole of H2 2025, driven not by volume alone but by an unprecedented concentration of large tickets: more than 220 purchases above AED 20 mn, against 20 in each half of last year. Ninety-five per cent of those AED 20 mn+ deals were off-plan.

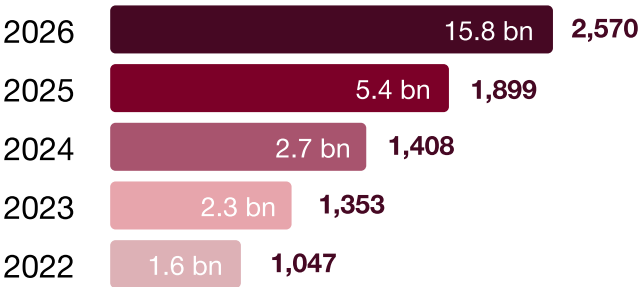
The average off-plan office purchase reached AED 8.3 mn, up 133% on H1 2025, while ready-office average prices rose a comparatively modest 14% to AED 3.0 mn. That divergence is the whole story: capital is being deployed into the next generation of Grade A product rather than into existing stock.

Momentum did fade inside the half. Q2 recorded roughly 36% fewer transactions than Q1, with sales prices and rents both easing slightly on a quarterly basis. The slowdown hit the ready segment hardest — a mix of seasonality and regional uncertainty, with some sellers trimming prices to close.

Property	Deals	Avg AED/sqft
Business Bay	814	3,893
Al Sufouh 1	498	4,182
Jumeirah Lakes Towers	333	2,078
Dubai Maritime City	88	3,686
Barsha Heights	82	1,892

Top five locations accounted for more than 70% of all office transactions in H1 2026

Dubai office sales, H1 by year — volume and value



Bars = transactions - labels in red = value (AED).Source:DLD via Property Monitor

iSpace view

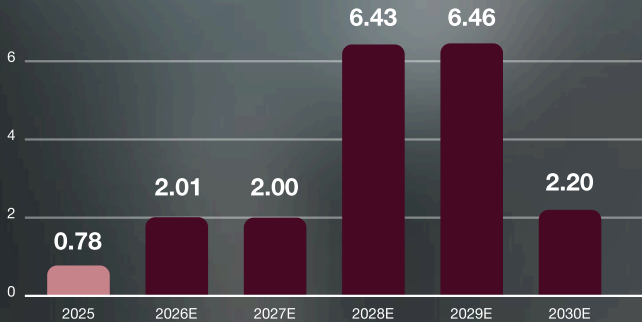
Off-plan at 65% of deals and 95% of the large-ticket segment tells you that the buy side has repriced its view of supply risk. Investors are paying up today for Grade A that completes in 2027–2028 because they expect the leasing market to still be tight when it lands. That is a rational bet given the pipeline concentration — but it also means the pre-leasing window on those assets is narrower than headline supply numbers suggest.



Supply: The Wave is Still Two Years Out

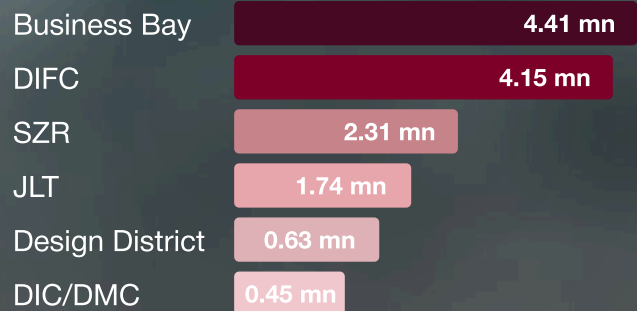
2026–27 brings relief in specific postcodes; 2028–29 changes the market

Dubai office deliveries, GLA mn sqft



Source: Cushman&Wakefield Core Research

Under-construction GLA by submarket, sqft



Source: Cushman&Wakefield Core Research, Q2 2026

What this means in practice

- 2026 deliveries are largely spoken for.** Of the 0.88 mn sqft handed over in Q2 — including City Tower and Technohub 4 — much was already pre-let, and the 1.13 mn sqft still due this year (led by Sweid One, Innovation 2 at DIFC Living and new stock at Dubai CommerCity) carries similar pre-commitment levels. Near-term market impact is limited by design.
- The pipeline is quality-weighted and district-concentrated.** DIFC and Business Bay together hold more than half of everything under construction. Tenants needing large, contiguous, single-owned floorplates will find their optionality in DIFC and on Sheikh Zayed Road — nowhere else.
- Assume slippage.** Historical delivery patterns and current supply-chain conditions mean a portion of announced 2026–27 supply will move right. Projects in advanced construction should hold; early-stage schemes are the ones exposed. Plan pre-commitments against a delayed base case, not the announced one.
- Total stock is now around 9.46 mn sqm (~102 mn sqft)** after roughly 92,300 sqm of H1 deliveries, with a further 150,000 sqm due by year-end, 379,000 sqm in 2027 and 718,000 sqm in 2028.

“

Two years of relief will not arrive evenly. If your requirement is in DIFC or on Sheikh Zayed Road, H2 2026 and 2027 give you a negotiating position you have not had since 2021. If it is anywhere else in the city, the pipeline changes nothing before 2028 — and pre-commitment remains the only real lever.

Pavel Tapygin
Head of Leasing, iSpace



Part III: The Abu Dhabi Office Market in Q2 2026

No new supply, record occupancy, a rent freeze with two deliberate exemptions — and rents up another 15% in three months



Abu Dhabi Office Market



Q2 2026 at a glance

City-wide asking rent AED 2,182 per sqm · +15% q-o-q · +33% y-o-y	City-wide occupancy 93.4% vacancy 1.4% on JLL basis	Prime availability 0.1% Grade A 1.4% Grade B 2.7%	Completions in Q2 2026 Zero 40,000 sqm due by year-end	ADGM / Al Maryah prime AED 6,000+ per sqm +82% y-o-y	H1 leasing transactions 23,616 -13% y-o-y
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Structural undersupply is the whole market

Abu Dhabi recorded no office completions in Q2 2026. A further 40,000 sqm is expected by year-end, primarily across multiple buildings in Masdar City where pre-leasing has already been strong. This follows several years of limited delivery during which demand consistently outpaced supply. The development pipeline is substantial on paper — roughly 428,000 sqm scheduled between 2026 and 2028 — but the meaningful additions from the next phases of 2029 onwards.

Against that backdrop, city-wide rents rose 15% in a single quarter to AED 2,182 per sqm per annum. Prime rents in ADGM now exceed AED 6,000 per sqm, up around 82% year-on-year on Al Maryah Island, prompting occupiers to explore cost-effective alternatives on Al Reem Island — where rents themselves rose about 33%. Demand is coming from global funds, asset managers, financial institutions and the wider BFSI sector, colliding with an acute shortage of available space. ADGM and Al Reem Island do not arrive until

The rent freeze — and why it does not cap the top of the market

The rental regulation introduced at the close of Q2 restricts increases across the wider emirate, with the renewal cap temporarily cut from 5% to 0%. Two carve-outs matter: **ADGM and Al Reem Island are exempt**, as are newly completed projects, where higher initial rents are permitted. The practical effect is a two-speed market — sitting tenants in the broader city get protection and cost certainty, while open-market and prime rents continue to respond to fundamentals. Expect quarterly escalation across the general market to compress; expect annual growth in ADGM and Al Reem to continue.

leasing volumes softened — concentration did not

H1 leasing transactions totalled approximately 23,616, down around 13% on the same period of 2025 and the first meaningful annual contraction of this cycle. The decline was broad across districts — Al Bateen (-35%), Al Hisn (-32%) and Mohamed Bin Zayed City (-16%) fell hardest. New contract volumes fell about 15% and renewals about 8%.

Al Reem Island was the exception, posting an increase of more than 148%, underpinned by ADGM's continued pull on hedge funds and asset managers. That single number captures where the Abu Dhabi office market is moving.

Selected Q2 2026 lease transactions

Property	Location	Sector	Sqm
Omega Tower	Al Reem Island	Healthcare	5,000
Sky Tower	Al Reem Island	Geology	2,000
Al Sila Tower	Al Maryah Island	Financial services	425
The Landmark Tower	Al Markaziyah	—	375
Capital Gate	Capital Centre	Semi-government	337

New leases only; renewals excluded.
Source: Cushman&Wakefield Core Research



Abu Dhabi Submarkets and Pipeline

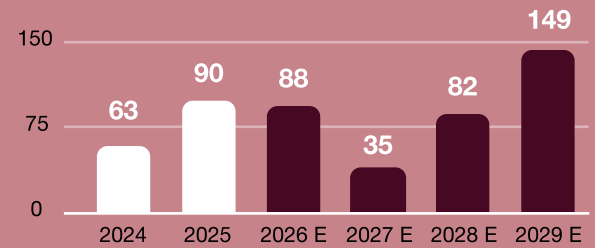
Q2 2026 — inventory in sqm, asking rents in AED/sqm p.a.

Submarket	Inventory	Vacant	Occ.	Under constr.	Rent
ADGM / Al Maryah	239,137	2,391	99%	98,000	6,000
Corniche	271,117	9,489	97%	—	2,200
Yas Island	57,786	0	100%	35,000	2,050
Al Raha	55,741	7,525	87%	—	1,750
Masdar City	157,902	1,579	99%	83,100	1,750
Capital District	88,257	0	100%	—	1,650
Al Reem Island	377,038	60,326	84%	50,851	1,400
Muroor	158,726	7,936	95%	—	1,250
Airport Rd / Al Falah	222,519	11,126	95%	—	1,200
MBZ	76,281	5,721	93%	—	1,200
Khalifa City	86,905	11,587	87%	—	1,100

Asking rents inclusive of service charges.

Source: Cushman & Wakefield Core Research, Q2 2026

Abu Dhabi office deliveries, NLA '000 sqm



Source: Cushman&Wakefield Core Research

Three things this table tells you

- 1. Al Reem is the only real release valve.** It holds 60,326 sqm of vacancy — more than the rest of the tracked market combined — at 1,400 AED/sqm against 6,000 in ADGM. That 4.3× discount inside a fifteen-minute drive is the single most important arbitrage in the UAE office market today.
- 2. Yas Island and Capital District are at 100%.** There is no negotiating position in either until the 35,000 sqm at Yas completes.
- 3. The 2027 trough.** Only ~35,000 sqm is scheduled for 2027, the lowest year in the series. Occupiers with 2027 lease events should be transacting in 2026.



Abu Dhabi is not a rental growth story any more — it is an availability story. When prime vacancy is one tenth of one per cent, the negotiation is no longer about price. It is about whether the space exists at all, and how early you are willing to commit to space that does not yet.

Alex Ostrovsky

Co-Founder & CEO, iSpace



Part IV: Wealth & Capital Flows

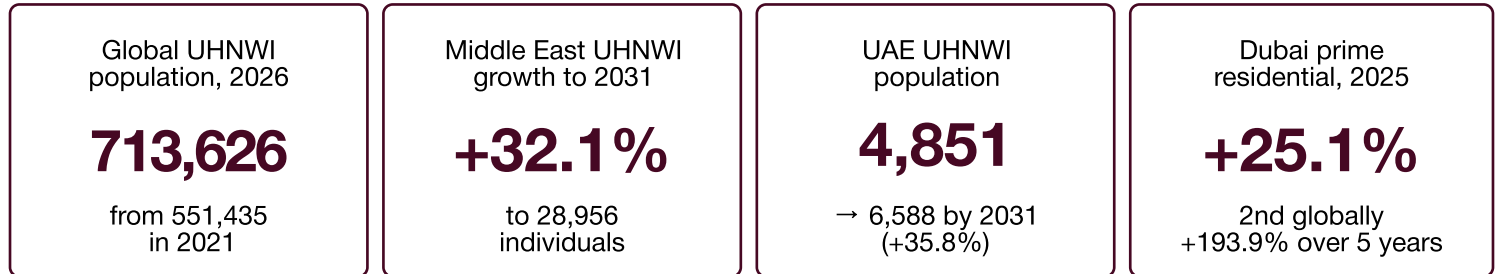
Where the money is being created,
where it is moving, and why it lands
on UAE office floorplates





The Wealth Layer

Condensed from Knight Frank's Wealth Report 2026 —
the parts that move UAE real estate

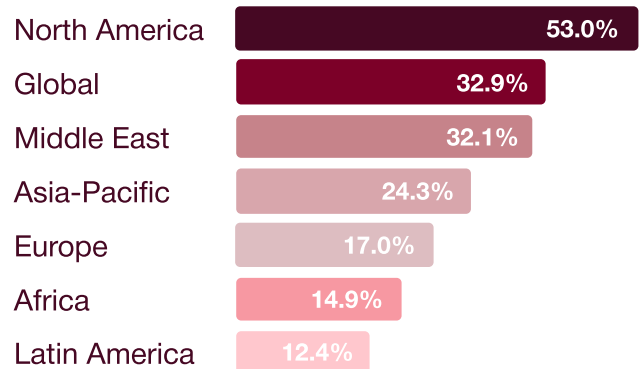


The mechanics

Roughly 89 people crossed the USD 30 mn threshold somewhere in the world every day over the past five years. The Middle East is the only region forecast to hold its global share of that population through 2031, and the UAE is the region's principal beneficiary — its UHNWI base grew 54.5% between 2021 and 2026 and is projected to add another third by 2031.

That wealth is unusually mobile. Tax reform in traditional hubs has broken the link between the wealthy and any single jurisdiction, producing a "dip-in, dip-out" pattern in which UHNWIs organise their lives across multiple bases and family offices manage the tax, lifestyle and political risk of that spread. The UAE has been the clearest net beneficiary alongside Italy, Switzerland and the US.

Forecast UHNWI population growth, 2026–2031



Source: Knight Frank Wealth Sizing Model, The Wealth Report 2026

Dubai remains the headline market: 500 residential sales above USD 10 mn in 2025 against 113 in 2021, and more USD 10 mn+ transactions than any other global city. Abu Dhabi is emerging on a different proposition — cultural depth, coastline, and a lower-profile lifestyle for families seeking the UAE's economic advantages at a slower pace.

The family office build-out

There are now roughly 10,000 family offices worldwide, growing about 5% a year — faster than the global economy. Dubai, Hong Kong and Singapore are the newer hubs gaining share against London and New York, with Dubai repeatedly described by interviewees as the corridor through which global wealth is flowing. DIFC's own numbers corroborate it: family-related entities up 36% to 1,408 and foundations up 67% to 1,409 in a year.



From Wealth to Floorplates

Why private and institutional capital is now a primary driver of UAE office demand

Private capital is the largest buyer of commercial real estate globally

For the fourth consecutive year, private capital — high-net-worth individuals and private equity — was the biggest source of funding for CRE deals worldwide, at roughly USD 464 bn in 2025 against USD 347 bn from institutions. Offices were the most targeted sector for 2026 in the latest investor survey.

Knight Frank Insight / MSCI RCA

The UAE has moved from peripheral to core allocation

Brookfield, Hines, Gaw Capital and Blackstone are all now active in the market, several for the first time, seeking income-generating assets. The initial focus is industrial and logistics — driven by the supply shortage across Abu Dhabi and Dubai — with build-to-rent residential close behind.

Knight Frank, The Wealth Report 2026

The office came back into demand globally

Knight Frank (Y)OUR SPACE, 4th edition

Office-first working patterns — four days a week in the building — are gaining clear momentum, particularly among financial and professional services firms, and are expected to see the strongest growth in adoption over the next three years. Occupiers are expanding footprints, not shrinking them.

The wealth cluster is the office cluster

DIFC, ADGM, iSpace Research

Wealth and asset management firms in DIFC reached 592 and family entities 1,408; ADGM's AUM rose 57% in a single quarter with managers running USD 4.4 trn entering this year. This cohort takes small, high-specification floorplates in exactly two postcodes — which is why DIFC clears AED 530 psf and ADGM AED 6,000 psm.

The read-across for occupiers and owners

The wealth story is not a residential footnote. It is the demand curve behind the two most expensive office submarkets in the country, and it explains why prime pricing in DIFC and ADGM has decoupled from the wider market through a quarter in which city-wide Dubai rents fell. Capital formation — funds, family offices, foundations, managers — converts directly into small-format, long-tenure, quality-insensitive-to-price demand. As long as UHNWI populations in the Middle East compound at 30%+ per five-year cycle, that demand curve does not flatten.

What we would watch

- 1. Foundations and family entities as a leading indicator.** Structures are registered 6–18 months before the operating office requirement lands. DIFC's 67% growth in foundations is a forward order book.
- 2. Institutional entry compresses yields before it adds supply.** Global capital is buying existing income first. Expect competition for single-owned assets to intensify before any new development response.
- 3. Abu Dhabi's quiet rise.** KKR, Bridgewater and Partners Group have all opened in the capital, and private jet traffic between Abu Dhabi and London rose 238% in 2025. The office requirement follows the capital.



Part V: iSpace Perspective

Our own market data on sectoral demand,
submarket rent dynamics, flex economics
and a proven delivery record

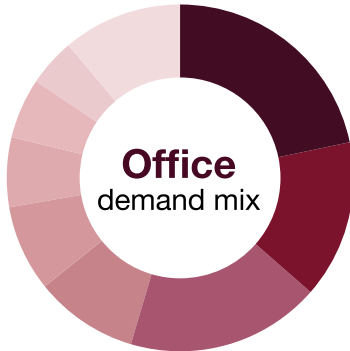




Where Demand Comes From, Where Rents Move

Sector composition of office demand and submarket-level pricing

Dubai office demand mix by sector



23% Financial & business services	16% Technology
16% Real estate & construction	8% Consumer & retail
8% Other diversified	7% Transport & logistics
6% Manufacturing	5% Healthcare & pharma
11% Commodities, hospitality, other	

iSpace internal enquiry database, FY2025 baseline

Dubai asking rents by submarket, AED/sqft

DIFC	530
Downtown	450
DIC/DMC	380
Design District	340
Sheikh Zayed Rd	250
JLT	220
Commer City	200
Business Bay	185

Average asking, all grades, incl. service charge · Source: C&W Core

What this tells us

Depth, not concentration. Financial and business services lead at 23%, but five separate sectors each represent 7% or more. No single vertical dominates Dubai's office demand — which is precisely why rental resilience held through a quarter in which sentiment turned.

Tech and real estate at 16% each. Together with financial services these three represent the majority of premium office demand, and all three kept transacting through Q2. The pause was in decision speed, not in enquiry volume.

Pricing dispersion is widening. With city-wide rents down 2% while DIFC and Downtown held, the gap between the top and the middle of the market is stretching. Averages are now the least useful number in Dubai — everything is submarket and asset-specific.



iSpace View

Three observations from the ground in Q2 2026

- 1. The premium for "ready" has stopped widening — and started converting.** Through 2025 the gap between fitted, immediately available space and shell-and-core Grade A kept stretching. In Q2 it stabilised, but the conversion rate on fitted space rose sharply: enquiries on ready product closed materially faster than on shell. In an uncertain quarter, occupiers bought certainty of occupation, not floor area.
- 2. Hybrid portfolios moved from advantage to necessity.** The combinations we structured this quarter — an anchor lease in a Grade A core, satellite micro-offices in flex, and pre-commitment on 2027–28 delivery — are now the default request rather than the sophisticated exception. The market-level evidence agrees: flex operators became one of Dubai's largest occupier groups in Q2.
- 3. Landlords started underwriting flex operators as tenants of choice.** The shift we flagged in Q1 is now explicit. Owners of large, hard-to-let floorplates are treating operators as partners for activating space and stabilising occupancy — which changes the economics of taking flex space, because the operator's own cost base is improving.

Achievable flex office rates in Dubai

Format	Tier	Achievable rate	Q-o-q direction
Micro-office (per desk / month)	Prime	AED 3,000 – 5,000	Stable
	Class A	AED 2,300 – 3,000	Stable
	Class B	AED 1,500 – 2,300	Softening at the lower bound
Serviced office > 1,000 sqft (AED/sqft/year)	Prime	AED 900 – 1,400	Stable
	Class A	AED 500 – 800	Stable
	Class B	AED 200 – 350	Softening

What we recommend to clients in Q3

Renew early outside the delivery corridors. If your building is not in DIFC, on Sheikh Zayed Road or in a 2026–27 completion zone, the supply relief does not reach you. Lock in.

Underwrite ownership structure, not the address. Grade B softening is a strata phenomenon. Single-owned assets held pricing and service standards through the quarter; fragmented buildings did not.

In Abu Dhabi, decide before 2027. With ~35,000 sqm scheduled for 2027 and prime availability at 0.1%, any 2027 lease event should be resolved during 2026.

Test the market if you are in one. DIFC alone has 4.15 mn sqft under construction. For the first time since 2021, a credible alternative option is worth putting on the table in a renewal negotiation.

“ The first rent decline in five years is not the beginning of a correction — it is the market finally getting enough supply to have a conversation. Our enquiry pipeline in Q2 was not weaker than Q1. It was slower. Those are different problems, and only one of them is structural.

Pavel Tapygin
Head of Leasing, iSpace

iSpace Track Record



The Offices, One Central — three phases of integrated flex-office delivery

Between March and December 2023, iSpace delivered three phases of integrated flex-office space at One Central, combining shell-and-core leasing with full fit-out, operating model and end-tenant management. All three phases reached and have held 100% occupancy.

Phase	Phase 1 — The Offices 2	Phase 2 — The Offices 5	Phase 3 — The Offices 2
Opened	March 2023	September 2023	December 2023
NRA, sqft	10,261	19,016	11,162
Working desks	149	192	120
Current occupancy	100%	100%	100%
Average lease	21 months	7 years	24 months
Investment	USD 2.2 m	USD 3.5 m	USD 0.5 m
ROI period	5 years	5 years	2 years

Total NRA delivered

40,439

sqft

Working desks operating

461

across three phases

Occupancy across all phases

100%

held since commissioning

Why this matters in a Q2 2026 market

The thesis these phases were built on — that integrated leasing plus operations outperforms in tight-supply submarkets — is being tested by exactly the conditions we are now in. Rents flattening at city level while prime holds, occupiers demanding speed and flexibility over specification, and landlords actively seeking operating partners for large floorplates: this is the environment the model was designed for.



Each phase reached full occupancy at or before commissioning. ROI horizons under five years across the portfolio — and two years on the most recent phase — confirm the economics of integrated leasing-plus-operations in tight-supply submarkets.

iSpace Research

Track record validates the hybrid-portfolio thesis



Part VI: Other Sectors and the Year Ahead

Beyond the office: the sectors outgrowing it, and the three things that decide the second half





Other Sectors

Retail and industrial outperformed office on rental growth;
Abu Dhabi residential outperformed everything

Dubai commercial — H1 2026 in aggregate

6,470 sales transactions worth AED 62.2 bn — the strongest first half on record, up 7.2% by volume year-on-year. Off-plan took 48.3% of all commercial deals against roughly 20% in H1 2025.

Retail was the standout: 853 units sold, up 50.2%, with value at AED 3.71 bn and average pricing around AED 3,486 psf. JVC, Dubai South and Business Bay led activity as neighbourhood retail inside mixed-use masterplans continued to attract investors.

Land transactions fell 43% as capital rotated out of development sites and into completed income and high-quality off-plan.

163,356 commercial leases were registered, broadly in line with last year's record.

Average rent by type (AED/ sqft)	H1 2025	H1 2026	Change
Office	111	112	+0.9%
Retail	234	255	+8.9%
Warehouse	43	57	+32.6%
Overall	137	143	+4.4%

Source: Engel & Völkers Commercial / Property Monitor, Dubai H1 2026

Industrial — the fastest-moving segment

Warehouse rents rose about 33% year-on-year, the largest increase across any commercial segment in the UAE. Demand drivers are structural: e-commerce and last-mile logistics, EV servicing, manufacturing expansion and supply-chain resilience strategies. Institutional capital is following — the Blackstone–Lunate GLIDE platform targets roughly USD 5 bn of Grade A logistics across the GCC.

Abu Dhabi residential — the year to June 2026

- Apartment prices rose across every key district**, led by Yas Island and Al Reem Island at 18%. Al Saadiyat remains the premium market at roughly AED 43,100 psm, up about 21%.
- Villa pricing was more dispersed** — Al Jubail Island up around 40% while Al Reem villas fell 22%, with an average increase of roughly 53% across tracked districts.
- The pipeline is 36,900 units for 2026–2030**, two thirds apartments, with roughly 70% of the apartment component scheduled for 2026–27. Yas Island alone accounts for around 7,700 units.
- Watch delivery risk.** Raw material costs are up an average of 20% since January, and shipping, insurance and port prioritisation are likely to push a share of announced handovers to the right.

Retail occupancy remains exceptional

Mall occupancy held around 98% in Dubai and 95% in Abu Dhabi, with international brand expansion continuing through the disruption. The 2025–2027 pipeline of roughly 400,000 sqm in Dubai and 300,000 sqm in Abu Dhabi eases longer-term pressure, but most near-term deliveries are phased and limited.



Outlook H2 2026

Three things we will be watching

Q3 DLD and leasing data

Q2 recorded roughly 36% fewer office sales transactions than Q1 and the first city-wide rent decline in five years. Q3 is the quarter that decides whether that was a temporary response to external factors or the start of a broader adjustment. Our base case is the former — the leasing pipeline never emptied — but the evidence arrives in September and October.

DIFC and SZR absorption

Around 2 mn sqft is scheduled for delivery in Dubai across 2026, concentrated in DIFC, Sheikh Zayed Road, Expo City and Business Bay. Pre-leasing has already absorbed a meaningful share. How the remainder lets — and at what incentive levels — sets the tone for the entire prime market into 2027.

Abu Dhabi's freeze in practice

The renewal cap has been in force for one quarter. We are watching the spread between capped in-place rents and open-market asking rents, and whether the ADGM / Al Reem exemption pulls a further tranche of occupier demand onto Al Reem Island, where the 4.3× rent discount to Al Maryah is the market's most obvious trade.

Our base case

2026 ends as a year defined by strategic repositioning rather than headline rental growth. In Dubai, prime locations continue to attract premium rents from financial services, professional services and new-entrant corporates; mid-market and emerging-district strata stock sees selective discounting as new supply lands. Owners of well-managed, single-

owned assets retain pricing power. Tenants who waited out Q2 find their window — but only in carefully chosen submarkets, and only for a limited period. In Abu Dhabi, scarcity persists: the 2027 delivery trough means the negotiating balance stays firmly with landlords, with the rent freeze shifting the pressure from in-place escalation to entry pricing on new lettings.

Risks to the base case

Hormuz duration

Continued interruption to maritime routes affects logistics costs, tourism flows and corporate confidence disproportionately for the UAE. A durable normalisation accelerates the H2 rebound the IMF expects; renewed disruption defers it into 2027.

Oil price volatility

A sustained move above USD 100/bbl compounds the fiscal-to-corporate transmission and slows expansion decisions. A return below USD 70/bbl restores much of the original 2026 growth path.

Demand concentration

A high share of foreign-owned corporates makes UAE office demand sensitive to global business sentiment. Diversification across nine-plus sectors mitigates this — but does not remove it.

“

Q2 gave us the first genuine test of what happens when Dubai's supply finally arrives at the same moment as a demand shock. Rents moved two per cent. Prime did not move at all. Abu Dhabi went up fifteen. If that is what stress looks like in these markets, the structural case has not weakened — it has been demonstrated.

Alex Ostrovsky
Co-Founder & CEO, iSpace



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